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Journal of Contemporary Athletics
Volume 7, Number 4
ISSN: 1554-9933
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PROFIT-MAXIMIZING AND WIN-MAXIMIZING IN THE NATIONAL FOOTBALL LEAGUE

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ABSTRACT

This case study focuses on the National Football League for analysis. We first examine the basic tenets of the profit-maximizing and win-maximizing models of Vrooman (2009). We will then provide a background of the framework on which the modern-day NFL was constructed through the Pete Rozelle era and the ideas that have influenced revenue sharing arrangements and player payroll restrictions in the NFL. Following that discussion, Vrooman's models will be applied to the mechanisms of the NFL in order to determine which model best correlates with the existing policies.

PROFIT-MAXIMIZING MODEL

In US literature, the usual assumption is that all clubs are profit maximizers, meaning that they are trying to maximize the difference between total season revenue and total season cost (Fort & Quirk, 1995). The overall objective for a profit-maximizing owner is to maximize profits which is the amount remaining after total costs are subtracted from total revenue. An owner maximizes profits with respect to the talent level of the organization's employees. In order to maximize profits, an organization will create the payroll by acquiring talent until the marginal revenue product of the talent is equal to the marginal cost of the talent (Vrooman, 2009). The marginal revenue product of a talent is the amount of revenue the particular talent will generate for the organization. The marginal cost of a talent is the change in costs for acquiring the particular talent. In simpler terms, the amount an organization pays a talent must be less than or equal to the amount of revenue the talent will bring into the organization to achieve maximum profits. An organization then paying an employee more than his or her marginal revenue product will be sacrificing profits. This type of behavior is much more evident in the structures of Major League Baseball and the National Basketball Association rather than in the NFL. While the payroll consists mainly of player salaries, the salaries of the front office, management positions of the organization, as well as the coaching staff also contribute to the overall payroll. Therefore, a profit-maximizing owner is limited by the amount of payroll and operating costs. Driven by the desire to maximize profits, an owner will strive to pay a player the least amount possible in order to acquire his talents. Owners

will increase spending on the players who generate the most amount of revenue, not necessarily the players who will produce the largest amount of wins.

WIN-MAXIMIZING MODEL

On the contrast of profit-maximizing, the objectives of win-maximizing owners are most concerned with maximizing wins rather than profits. Kesenne (2000) argues that clubs are trying to maximize their winning percentage under the breakeven constraint of a given profit or loss rate. A club can be profitable without being a profit maximizer. This model of owner objectives assumes that the most effective way to maximize the team's winning percentage is to maximize the playing talent of the team.

A win-maximizing owner will willingly sacrifice profit for wins. Owners of this type are assumed to spend as much money as will allow under the current policies and restrictions of their league. Vrooman (2009) refers to win-maximizing owners as sportsmen. He states that at the limit, a pure sportsman becomes a win maximizer constrained by season length and zero profit rather than maximum profit. Obviously, only a certain amount of wins are possible throughout a season due to the set number of contests. A team may still remain viable in encountering financial losses on occasion, however, to be sustainable in the long term a win-maximizing organization must remain constrained by zero profit. Owners driven by the desire to maximize wins are much more likely to pay a player his marginal revenue product rather than owners interested in maximizing profits.

STRUCTURE OF THE NATIONAL FOOTBALL LEAGUE

We can assume that the NFL, as well as other professional sports leagues, is created upon the foundation of maximizing competitive balance throughout the teams in the League as well as the uncertainty of outcome in the contests. For the purposes of this case study, when discussing the structural framework of the NFL we are focusing upon the creation of the rules, policies, and strategies the League has collectively created and implemented to achieve and maintain optimum competitive balance. Omitted from this review will be the structural framework regarding the allotment of teams into conferences and divisions, the scheduling of games, and the current playoff structure of the League.

To some extent, all professional sports leagues have incorporated such mechanisms as revenue sharing, player payroll restrictions, and player mobility limitations in order to achieve and maintain competitive balance. However, to date the NFL has been the most successful league in attaining the highest degree of competitive balance as well as being the most economically powerful sports league in the world. Moreover, it is important to note that the NFL historically has not always been the powerhouse league that it now currently is.

HISTORICAL FRAMEWORK OF THE NATIONAL FOOTBALL LEAGUE

The NFL was already a well-established professional sports league prior to Rozelle's appointment to the position of NFL Commissioner in 1960 (Mason, 1997). Under the title of

the American Professional Football Association, the current NFL began in 1920. In 1922, the League was renamed the National Football League (Scully, 1995). In the beginning of its operations, the NFL generated revenues only through the paid attendance of fans taking in the games and the concessions of these fans in attendance. Slowly but surely, the NFL realized its potential for growth and success and expanded the operations of the League into increasingly larger markets. The League determined three distinct groups to which they would sell their product: (a) those who attended NFL games who could be spending their money on other entertainment options; (b) television networks purchasing broadcasting rights to games instead of other programming options; and (c) municipal stadium authorities who compete to be a tenant for NFL teams by offering the most lucrative leasing package (Gray & Walters, 1988). Now additional revenues are generated through corporate sponsorships of the League, such as Coors Light as the "official beer sponsor of the NFL", and merchandising revenues generated through the sales of officially licensed NFL merchandise and memorabilia.

Shortly after becoming NFL Commissioner, Rozelle realized the advantageous revenue potential that television could have for the NFL. In the 1950s, the demand for more television programming began to rise in the United States. At this time, teams in the NFL were in control of negotiating their own broadcasting rights with their local television networks. Concerns arose that teams in large cities would be able to obtain more money for broadcasting rights compared to those in much smaller cities. This is where the idea of packaging broadcasting rights for the leagues as a whole emerged.

However, at this period in the early formational stages of the NFL, individual clubs had already agreed to contracts among several television networks (Mason, 1997). This presented Rozelle with a conundrum of an unfair advantage granted to the larger market clubs. In this structure, the larger market clubs were receiving roughly $500,000 a season with their individual television contracts while the smaller market clubs were only receiving a rough estimate of $150,000 per season (Mason, 1997). In order to achieve the largest possible amount of leverage over the broadcasting companies, Rozelle knew he must persuade the larger market teams that it would be most financially beneficial to the League to negotiate with pooled television rights as opposed to individual team rights. However, Rozelle had to navigate the obstacle of these larger market teams receiving less revenue in the initial years of the pooled broadcasting rights which he was successful in doing.

Rozelle utilized the newly passed Sports Broadcasting Act of 1961 to sell the League's broadcasting rights as a single package for the NFL to a broadcasting company. While a previous court decision made pooled negotiations impossible due to anti-trust violations (Mason, 1997), the Sports Broadcasting Act permits certain joint broadcasting agreements among major professional sports and permits the sale of a package to television networks (Scully, 1995). Soon thereafter, the NFL reached an agreement with Columbia Broadcast System (CBS), with the monies received divided evenly among NFL teams (Mason, 1997).

The result was the CBS deal generating $330,000 for each team per season (Mason, 1997). Upon signing a new contract a few years later in 1964, the deal increased the annual amount to $1 million per team (King, 1994). Following his retirement in 1989, Rozelle saw the NFL negotiate television contracts that would pay each club an average of $32.5 million a season over 4 years (King, 1994). As of 2008, the amount collected by each team through the League's sharing of revenues from pooled broadcasting rights has risen to $116.7 million per year (Vrooman, 2009). Thus, the advent of sharing network television revenues in the early 1960s continues to be a lucrative source of revenue for all League teams and provides an ideal

means through which the League can maintain competitive balance (Mason, 1997). This collective pooling of broadcasting rights was the first and historically has been the most essential direct product of revenue sharing throughout the league.

The NFL has also grown through other means of revenue sharing resulting in teams being more dependent on one another. The creation of NFL Properties in 1963 was created to serve two main purposes for the League—to promote the League and to protect its trademarks (Steinbreder, 1992). The creation of NFL Properties allows for more than 350 manufacturers to license and produce over 2,500 products bearing the NFL logo and NFL team logos (Mason, 1997). NFL Properties began to also be used as a promotional tool for the NFL. The League realized the profit-making potential that could be achieved through promotional usage in creating a unified marketing and licensing group. The NFL could further pool its resources in order to act more as a single-business entity and generate significant revenues for all teams.

This single entity concept of viewing the NFL has fueled the argument among scholars that the independent clubs of the League cannot function without the league (Mason, 1997). That being the case, independent clubs can only make decisions then that are harmonious with the policies universally accepted throughout the League. However, this can become problematic when team owners may have other interests outside of the agreement. But team owners also must remain conscious of the fact that the League product, the production of games, is impossible to achieve without one another. Thus, although the teams remain separate legal entities, they act as a single entity in cooperating to produce a single product (Goldman, 1989). Roberts (1984) notes that in agreeing to the conditions under which the League product is produced, the team has essentially eliminated its own rights to independently determine those terms and conditions. Therefore, it can be argued that individual teams should not have the right to make decisions that are detrimental to the League as a whole, as the team has no function outside of producing—along with other member teams—the league product (Mason, 1997).

The profitability and popularity of the NFL has dramatically increased through the operation of the League as a single-business entity. This can be attributed to the notion of the League making decisions beyond the day-to-day operations of the individual teams. The NFL is comprised of legally separate individual teams operating as a single-business entity, however, the appearance of independence among clubs is crucial to the appeal of the league product, as the uncertainty of game outcomes is paramount to retaining consumer interest (Mason, 1997). This independence of clubs throughout the League is maintained through the League allowing the individual teams to compete with one another in several different areas. These include the hiring of coaching, scouting positions, administrative staff, and other non-player personnel (Roberts, 1984). These activities become necessary for the public to view each team as being independently controlled in considering all activities that may affect each team's product on the field of play. All teams then should have an interest in the successes of the other clubs within the League. A greater equality of playing strengths of the teams ensures a greater uncertainty of game outcomes (Scully, 1995), which maintains consumer interest in the games that are played.

In order to reduce the likelihood of team owners acting opportunistically and conflicts rising among them, Rozelle desired to control who actually owned and operated NFL teams. Using this approach, Rozelle determined that the collection of League owners would become a more homogenous group (Mason, 1997). In order to promote homogeneity, Rozelle granted each owner one vote in the League Executive Committee. The League Executive Committee

(LEC) consists of all team owners and the commissioner. The LEC is the governing board that mutually agrees upon and implements strategies throughout the NFL. In order for a strategic decision to be enacted throughout the League, it is required for the decision to achieve a majority vote among individuals of the LEC. In requiring majority approval of owners prior to implementation of strategies, Rozelle desired to promote the like-mindedness of owners, resulting in larger group homogeneity among them. He figured that with larger homogeneity among owners, the breadth of perspective available in decision-making processes could be limited. Thus, Rozelle determined that he could keep a greater control of the owners if he could ensure that no person or group purchased a team that might act in a manner different from the other, more similar owners. In addition, the likelihood of owners choosing to act opportunistically would be reduced, as they would have similar interests (Mason, 1997). This process aligns with Murray, Jr. (1978) who states that the executive becomes an institutional leader by infusing values that create a corporate personality; this character is created and nurtured by an effective leader. Rozelle then had the ability and power to create a corporate identity for the League, while also aligning owner interests by only allowing those individuals or groups who hold the values similar to those of Rozelle and current team owners to acquire League teams. In this manner, Rozelle could pursue his vision of transforming the NFL into a single-business entity, with the interests of the owners more likely to be aligned and a single commissioner overseeing League operations (Mason, 1997).

The personality or corporate character of the NFL, which Rozelle had carefully implemented through revenue sharing, was labeled "Leaguethink" (Harris, 1986). However, the owners of professional sports teams, unlike other businesses, are "rugged individualistic capitalist entrepreneurs" (Flint & Eitzen, 1987). And as mentioned above, Rozelle desired to decrease the likelihood of conflict and opportunistic behavior among owners through creating a more homogenous group of owners.

While these owners were "rugged individualistic capitalist entrepreneurs", Rozelle desired to maintain the image of the owners as a group of hobbyists who were interested in sport and not the profitability of ownership (Mason, 1997). In order to do this, Rozelle prohibited to acquisition of teams to corporate ownership. The desire for profitability of owners would be much more obvious if teams were owned by a corporation. Also, if teams were corporately owned and operated, the potential for teams to be run by a group of individuals, rather than a single individual, would increase and result in greater difficulty in the decision-making processes of teams (Mason, 1997).

Rozelle's "Leaguethink" scheme has been successful over the years resulting in the NFL having the longest tenure of ownership (13.2 years) of any of the major professional sports in North America (Scully, 1995). This unprecedented ownership stability exemplifies one of the underlining initiatives of Rozelle's "Leaguethink" in unifying League owners. In positioning the League as a single-business entity, Rozelle sought to align the franchises to work in the best interests of the League as a whole.

The NFL identity of "Leaguethink" has been carried on even after Rozelle's retirement in 1989. There have been multiple mechanisms employed in the League to further maintain competitive balance. Competitive balance was the driving force behind Rozelle's "Leaguethink" and the corresponding revenue sharing arrangements that were implemented under Rozelle's guidance. However, mechanisms such as free agency in the player's market and league-wide payroll restrictions, commonly known as a salary cap and salary floor, have been employed since Rozelle's departure. His revenue sharing arrangements have been

tinkered with and improved upon in order to remain current and effectively applicable with the ever-changing conditions both internal and external in the NFL.

CURRENT REVENUE SHARING ARRANGEMENTS IN THE NFL

The NFL currently has active policies regarding revenue sharing and player payroll restrictions that must be recognized and followed by all teams in the League. It must be remembered that the implementation of these mechanisms were driven by the desire to achieve optimum competitive balance throughout the League. Internal policy questions center on the impact of revenue sharing and salary controls on competitive balance and monopsony exploitation of talent (Vrooman, 2009).

The most recently-completed Collective Bargaining Agreement (CBA) was implemented in 2006 and expired in March of 2011 (Vrooman, 2009). Under the current revenue sharing policies of the CBA, all revenue is divided into two categories: local revenue and central revenue. The central revenue pool is shared equally among all teams in the League, whereas portions of the local revenue pool are shared and the individual teams themselves keep portions.

The central revenue pool is comprised of the revenue generated from the national broadcasting contracts and the revenues of NFL Properties. The revenue generated from the broadcasting contracts is the most important and essential method of revenue for all teams in the League. This type of revenue is shared equally among all clubs in the League and on average comprises of roughly 60% of all the revenue received by the member teams. Throughout the current contracts of the NFL and national media from 2006-2011, each team is granted $116.7 million a year (Vrooman, 2009). This revenue is the single most important factor in maintaining competitiveness for each club and thus the competitive balance of the League as a whole. Without the equal distribution of this revenue, some teams would have a negative cash flow and lose money. This would certainly be detrimental to the League as a whole, because as we've mentioned, the success of the League is dependent on the competitiveness of each of its teams. Moreover, with a negative cash flow, we assume that teams would be more likely to relinquish their competitiveness in order to obtain a profit, or a positive cash flow. The League is most concerned with limiting the potential for teams to lose money and therefore incorporates the necessary means of revenue sharing in order to ensure an organization's desire to remain competitive. The revenues generated by NFL Properties are also distributed equally among the teams in the League. While the percentage of this revenue is not nearly as high as the national media revenue, it still certainly helps in aiding teams to avoid financial losses.

The local revenue pool for each team is comprised mainly of gate receipts, in-game concessions, and luxury box revenues. Gate receipts are the only type of revenue shared among the local revenue pool. For each NFL game, the home team keeps sixty percent of the gate revenues while the visiting team receives the remaining forty percent of gate revenues (Vrooman, 2009). Thus, teams have a vested interest in the competitiveness of all clubs, as "sustained incompetence by a number of teams presumably would lead to lowered television revenues—a loss incurred by all teams" (Brown, McEvoy, Nagel, & Rascher, 2004). The home team keeps One hundred percent of the revenue generated through selling concessions during a game. Also, and more importantly, teams are allowed to keep all of the revenues

generated through the sale of luxury boxes and premium, or club, seating. Teams playing in an outdated venue are subject to an unfair advantage in comparison to teams in recently renovated or constructed venues (Brown, McEvoy, Nagel, & Rascher, 2004). This particular arrangement of unshared revenues has led to the mass overhaul of team venues throughout the league.

To summarize, an NFL team's revenues break down to 60% coming from the national television deals, 20% coming from gate receipts, and the remaining 20% coming from individual venue revenues. As we have noted however, venue revenues among the teams in the League are increasing more and more.

The player payroll restrictions currently implemented in the NFL incorporates both a salary cap and a salary floor to promote parity and competitive balance throughout the League. This mechanism has been employed since 1994, but the salary cap and the salary floor have fluctuated throughout its existence. A salary cap is the maximum amount that a team can spend on its payroll for a given year. Whereas, a salary floor is the minimum amount that a team can spend on its payroll for a given year. Currently, the salary cap figure is calculated as roughly 58 percent of the average amount of Total Football Revenue (TFR) generated by each club. In 2008, the average TFR of all teams was approximately $200 million. Therefore, the salary cap for that year was set at $116 million (Vrooman, 2009). The salary floor is then calculated as a percentage of the salary cap. When the current cap structure of the CBA was created, the salary floor started at 84 percent of the cap. Throughout the five years of the CBA, the salary floor increases by 1.2 percent each year, reaching 90 percent in the final year. So for 2008, the salary floor was set at 86.4 percent of the salary cap and equaled roughly $102.2 million. It is important to note that the NFL incorporates various ways for teams to circumvent the salary cap for a given year. In order to retain current players or sign free agents with up-front signing bonuses, teams are allowed to allocate signing bonuses to future years (Brown, McEvoy, Nagel, & Rascher, 2004). Current CBA rules governing signing bonuses state that the cap does not include all salary paid to players in a given season (National Football League, 1998). An example illustrates this policy. A player signs a three-year contract for $2 million per year with a $6 million signing bonus. The player receives $8 million in the first-year of the contract (the $6 million signing bonus plus the $2 million in salary). Only $4 million is counted against the cap that year, the same in the remaining two years (Brown, McEvoy, Nagel, & Rascher, 2004). NFL CBA rules affirm that signing bonuses are allocated equally over the years of a player's contract.

PROFIT-MAXIMIZING AND WIN-MAXIMIZING EFFECTS

As noted earlier and the term explicitly states, a profit-maximizing owner's main objective is to maximize the profits of the organization (Vrooman, 2009). Remember then, an owner maximizes profits with respect to the talent level of the organization's employees. Therefore, an owner of this type is limited by the total amount of payroll and operating costs of the organization.

A league wide payroll cap constrains each team's payroll to a constant percentage of the average of club revenues throughout the League (Vrooman, 2009). Vrooman's studies lead to the conclusion that when analyzing a salary cap alone without including revenue sharing, a salary cap in a profit-maximizing league will constrain the more profitable teams and improve

the competitive balance throughout the league. However, when revenue sharing is included with a salary cap in the analysis, Vrooman determines that the disincentive to win for all teams negates the cap and the league returns to its original state of imbalance. The disincentive to win created through the combined implementation of a salary cap and revenue sharing can be limited with the application of a payroll minimum, or salary floor. All teams in the league would be required to spend the payroll minimum at the very least, and we believe the amount spent likely would be higher than it would be if owners were complete profit-maxmizers. With revenue sharing arrangements and without a salary floor, profit-maximizing owners would spend far less on their payroll to minimize costs. Minimal costs coupled with revenue sharing income regardless of on-field success would greatly assist owners in achieving maximum profits. In this case, the number of playing talents of a true profit-maximizing team would certainly be reduced in achieving minimized costs, in turn leading to a decrease in the team's competitiveness and overall league competitive balance. Therefore, we can conclude that a payroll minimum is necessary in a profit-max league with revenue sharing in order to achieve competitive balance (Vrooman, 2009).

In analyzing a *win*-maximizing league with only revenue sharing and no payroll restrictions, revenues and payrolls will become the same for all teams (Vrooman, 2009). Assuming revenues are equally shared throughout the league, all teams then will have the same amount of income to spend on the acquisition of talents. In following the win-maximization model, all revenue received will then be paid to a team's players in order to maximize wins. This type of win-maximizing league would result in all teams having zero profit, and spending at all costs to win. As Vrooman (2009) states, the overall league payroll increases with revenue sharing toward the league revenue total maximum. Therefore, we can conclude that in a win-maximizing model with revenue sharing and devoid of payroll restrictions, all of the revenues generated by the league would be spent on player payrolls throughout the league.

Not considering revenue sharing or player payroll restrictions, competitive balance is fundamentally higher in a win-maximizing league than in a profit-maximizing league initially, solely due to the emphasis on winning. All teams will focus all efforts on winning, thus increasing each team's competitiveness. However, without revenue sharing in a win maximizing league, teams in larger markets would begin to separate themselves from the competition due to the increased fan base producing larger amounts of revenue and cash flow for these teams, thus decreasing the competitive balance of the league (Vrooman, 2009). We believe then that equal revenue sharing in a win-max league would potentially increase competitive balance by equalizing the amount of money teams have to pay towards their payrolls, assuming zero profit.

In reality, a scenario such as the one above would most likely be non-existent in modern professional sports because some amount of profit is assumed to be necessary for a person to acquire a team. Moreover, there are many more operating costs of a professional franchise than simply the player payroll. Things such as the hiring of a coaching staff, administrative positions, acquiring proper equipment and facilities all cost money to the owners. By capping the teams' payroll in a win-maximizing league, it is assumed that all teams will spend their limit on talents, and through this the league can maintain competitive balance while controlling the desire of some owners to spend it all to win. A team owner acting opportunistically and spending all of his money, which may be significantly more than other owners have, to win games will reduce the competitive balance throughout the league. The

distribution of talent throughout the league will become concentrated to the teams with owners who have the most money and are willing to spend it; increasing those teams' competitiveness while decreasing the competitiveness of other teams. Therefore, we can say that in a win-maximizing league with revenue sharing and the use of a salary cap, competitive balance will be increased. The combined implementation of a payroll cap and equal revenue sharing virtually clones equality in team revenues, team payrolls, and profits (Vrooman, 2009). The opposing argument can be made that a win-maximizing league with revenue sharing and a payroll cap is not true win-maximization because true win-maximization would not include profits at all.

WIN-MAXIMIZING AND PROFIT-MAXIMIZING AND THE CURRENT POLICIES IN THE NFL

Currently in the NFL, the national media revenuees are the largest source of revenue for all teams in the League, accounting for roughly 60 percent of each teams' total revenue. In 2008, each team received $116.7 million from the television deals with the salary cap being set at $116 million for that year. Therefore, we can determine that the player payroll for each team equates to roughly 60 percent of revenues for each year. The NFL player payroll's share of revenue being around 60 percent of total revenues since 1993 is consistent with owner objectives of win maximization (Vrooman, 2009). In order to be consistent with profit-maximizing objectives, the payroll share as a percentage of revenue would be much lower. A profit-maximizing owner in a league with revenue sharing would result in exploitation of the players. The players would receive less than their marginal revenue product and the owner would keep more of the money for greater personal profit. Thus, we can say that the NFL's policy of revenue sharing can be more closely associated with win-maximizing objectives rather than profit-maximizing objectives.

The NFL has imposed a hard salary cap and salary floor since 1994. Since the inception of these mechanisms, the amount between the cap and floor has been on average around a 10 percent payroll range. That is if the cap were set at $100 million, the floor would be $90 million. This $10 million, or 10 percent range, allows for teams with differing objectives to approach the player payroll with varying strategies. If an owner is a profit-maximizer, he can keep payroll costs closer to the floor. On the other hand, if the owner is a win-maximizer, costs will most likely be closer towards the cap. According to Vrooman (2009), an intolerant ten percent NFL payroll range is insufficient for a natural team/payroll cycle to evolve. For example, a team drafts a rookie and he then signs his first contract. In most cases, this contract will not pay him an extremely large sum. We will say he performs well and beyond expectations throughout the years of his contract. By the time his current contract expires, he will be looking to receive a much larger sum than before due to his exceptional performance in the past. However, if the current team's payroll is not in the proper cycle and does not have enough cap space available to carry his contract, there may be no possible way for the current team to pay the player and retain his talents. Thus, the player then leaves for a team who is in the proper payroll cycle and can afford to pay the player his desired and earned higher salary. Therefore, this small payroll range only allows for minor adjustments among team payrolls and keeps the spending of all teams at a much more even level than other professional sports

leagues. The NFL desires to keep team spending as even as possible in order to promote competitive balance throughout the League. Theoretically, this gives each team a fair chance at succeeding year in and year out, garnering greater uncertainty of outcome among contests and ideally leading to increased competitive balance. The more competitively balanced the League, the more uncertainty of outcome resides in each game, and the more fans will be interested in the League's product. As fan interest grows, attendance will remain high, but most importantly, more fans will watch on television. This will further strengthen the negotiating power of the NFL with broadcasting companies and drive up the costs for those companies to acquire the desired television rights. In turn, leading to larger league-wide revenues and more profits for all. Therefore, we believe that the NFL's player payroll arrangements are more aligned with the interests of profit-maximization. With the ten percent payroll range being insufficient for a payroll cycle or a natural team to evolve, this minimizes the chance for a particular team to become dominant. For a team to become dominant, the objectives of the owner would be focused on maximizing victories. Continued dominance of a certain team will reduce the uncertainty of outcome in contests and the overall competitive balance throughout the League. The reduction of those two factors would likely lead to lesser revenues generated by the League. For the NFL to thrive, or any sports league for that matter, it is most desirable for the uncertainty of outcome and overall competitive balance to be as high as possible.

In conclusion, we believe that the revenue sharing policies currently in place in the NFL can be viewed as a win-maximizing strategy. The equal and league-wide sharing of such a large amount of revenue provides all teams with a sufficient financial base to construct player payrolls in an effort to maximize performance on the field of play. On the other hand, we believe the player payroll policies of the League are more aligned with a profit-maximizing strategy. In controlling team costs and incorporating such a small payroll range, the League is able to limit the sustained dominance of any one team or teams in the League. True win-maximizing and competitive dominance becomes impossible for a team to achieve in long-term periods. Thus, creating the "perfect portfolio" that is the National Football League.

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